

## United Bank Limited (UBL)

1Q2018 EPS Rs2.3, -63% YoY (-59% QoQ)

Cash Dividend Rs3/share

Below expectations

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# One-time pension expense dent earnings

<b>UBL: Financial Highlights</b>				
<b>Rsmn</b>	<b>1Q2018</b>	<b>1Q2017</b>	<b>YoY</b>	<b>QoQ</b>
Markup interest earned	29,054	24,669	18%	-3%
Markup interest expensed	14,749	10,573	39%	-3%
Net Interest Income	14,305	14,095	1%	-3%
NPL provisioning/reversal	2,009	123	NM	-14%
Non Interest Income	7,995	6,936	15%	25%
Non Interest Expense	9,564	9,536	0%	-1%
Share of income from Associates	185	237	-22%	58%
Extraordinary item - Pension cost	6,405		NM	NM
Profit before Tax	4,508	11,610	-61%	-51%
Taxation	1,748	4,033	-57%	-28%
Profit attributable to equity holder	2,785	7,520	-63%	-59%
<b>EPS</b>	<b>2.3</b>	<b>6.1</b>		

Source: PSX, Topline Research

- UBL declared earnings of Rs2.3/share in 1Q2018, considerably lower than market consensus. Earnings fell short of expectations on the back of one-time pension charge of Rs6.4bn (Rs3.2/share after tax), booked by UBL. To note, this pension cost was slightly higher than the bank's estimated range of Rs3.4-5.9bn (disclosed in its 2017 annual filing).
- Net Interest Income (NII) of UBL was marginally up in 1Q2018, in-line with our estimate.
- Total provision during the outgoing quarter stood at Rs2bn, primarily on the back of NPLs of Rs2bn in 1Q2018 vs. Rs56mn in 1Q2017.

# One-time pension expense dent earnings

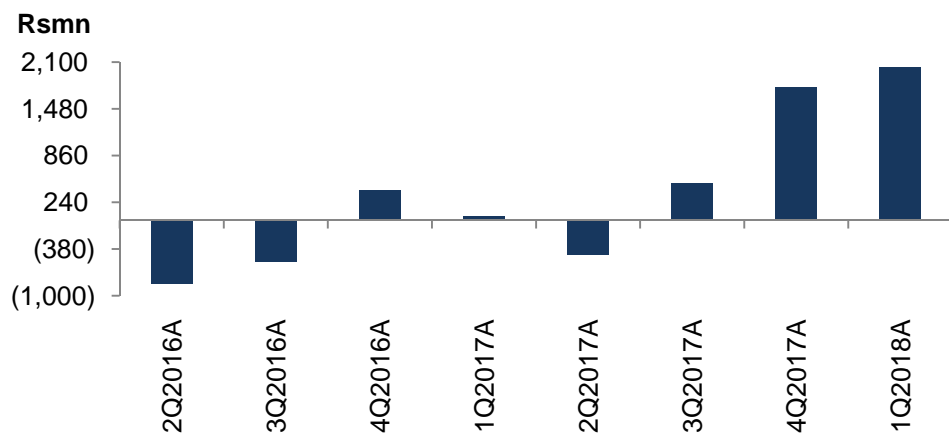
- Non-markup income grew by 15% YoY to ~Rs8bn thanks to 34% increase in gain on sale of securities to Rs3.2bn. Higher gain was on account of sale of equities and bonds, we believe.
- On the other hand, fee, commission and brokerage income (~43% of non-markup income) did not witness material growth.
- On quarterly basis, NII was down 3% while net earnings decline by 59%.
- Key risks for UBL include: 1) NPL creation on international book 2) lower than expected advances growth, 3) delay in hike in interest rates, and 4) deterioration of Pakistan macros.

## UBL: Key Numbers

	2013A	2014A	2015A	2016A	2017A
EPS	15.8	19.3	21.4	22.7	21.4
Earnings Growth	8%	23%	11%	6%	-6%
PE at Rs204.5	12.8	10.4	9.4	8.9	9.4
Dividend Yield	5%	6%	6%	6%	6%
ROE	17%	17%	17%	17%	15%
PBV	2.2	1.8	1.6	1.5	1.4

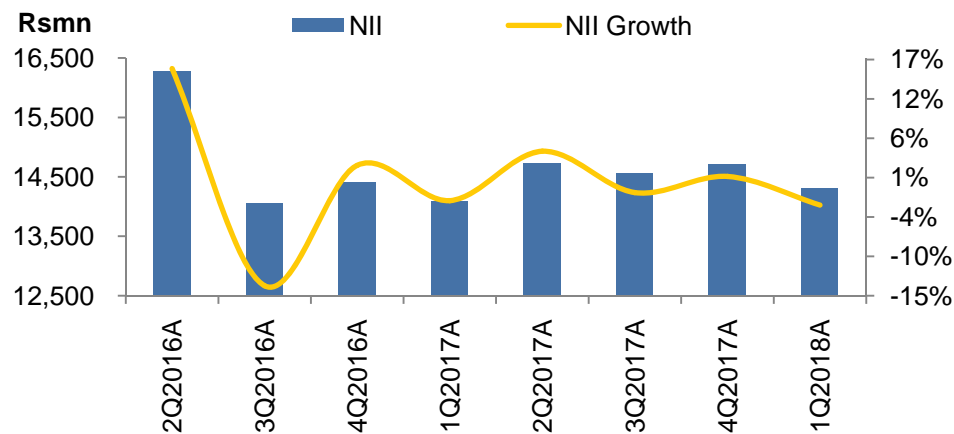
Source: Company Accounts, Topline Research

### UBL: Quarterly NPL provisioning / Reversal



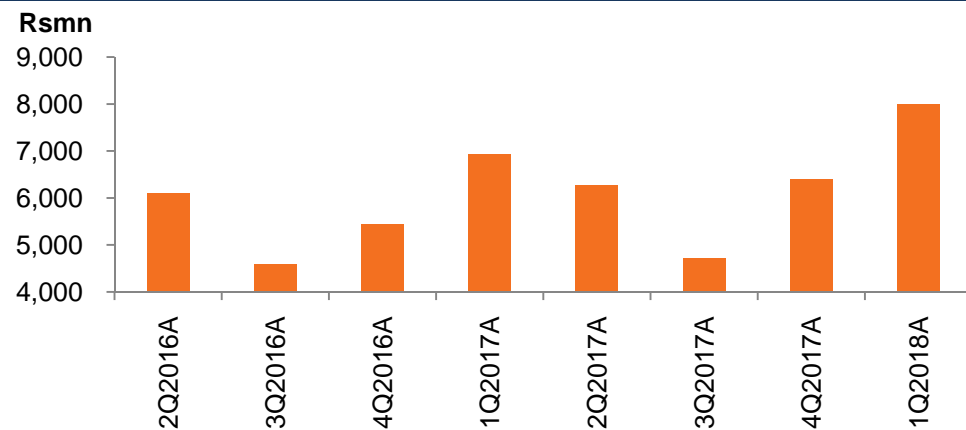
Source: Company Accounts, Topline Research

### UBL: Quarterly NII and NII Growth



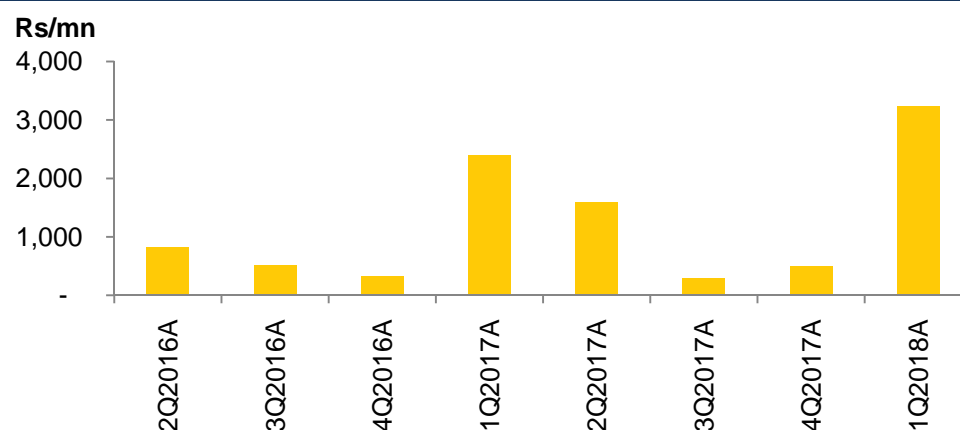
Source: Company Accounts, Topline Research

### UBL: Quarterly Non interest income



Source: Company Accounts, Topline Research

### UBL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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